

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman;  
Nanci E. Langley; and  
Robert G. Taub

Competitive Products Price Changes  
Rates of General Applicability

Docket No. CP2012-2

NOTICE AND ORDER CONCERNING CHANGES IN RATES OF GENERAL  
APPLICABILITY FOR COMPETITIVE PRODUCTS

(Issued November 23, 2011)

On November 22, 2011, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for competitive products.<sup>1</sup> The Filing also includes related mail classification changes. The Postal Service represents that, as required by the Commission's rules, 39 CFR 3015.2(b), the Filing includes an explanation and justification for the changes, the effective date, and a schedule of the changed rates. The price changes are scheduled to become effective January 22, 2012.

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<sup>1</sup> Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 11-8, November 22, 2011 (Filing). The Filing is available on the Commission's website, [www.prc.gov](http://www.prc.gov). Pursuant to 39 U.S.C. 3632(b)(2), the Postal Service is obligated to publish the Governors' Decision and record of proceedings in the *Federal Register* at least 30 days before the effective date of the new rates or classes.

Attached to the Filing is the Governors' Decision evaluating the new prices and classification changes in accordance with 39 U.S.C. 3632-33 and 39 CFR 3015.2. The Governors' Decision provides an analysis of the competitive products' price and classification changes intended to demonstrate that the changes comply with section 3633(a) of title 39 and the Commission's rules. See 39 CFR 3015.7(c).

The attachment to the Governors' Decision sets forth the price changes and includes a draft Mail Classification Schedule (MCS) for competitive products of general applicability. Selected highlights of the price and classification changes follow.

*Express Mail.* Overall, Express Mail prices increase by 3.3 percent. Retail prices increase, on average, by 4.4 percent. The existing structure of the price categories for zoned Retail, Commercial Base and Commercial Price categories does not change. The Commercial Base category, which offers lower prices to Customers who use online or other authorized postage payment methods, decreases by 5.0 percent. Commercial Plus prices, overall, receive a zero percent increase, but some individual prices will increase and some will decrease. A new Express Mail Flat Rate Box product is added and is priced the same across all channels (\$39.95).

*Priority Mail.* Priority Mail prices increase by 3.1 percent overall, with average retail prices increasing by about 3.2 percent. Price increase varies by rate cell and price tier. Flat Rate Box prices are small (\$5.35), Medium (\$11.35), Large (\$15.45) and Large APO/FPO/DPO (\$13.45).

The existing structure of Retail, Commercial Base and Commercial Price categories does not change. The average increase for Commercial Base prices is 3.0 percent. Commercial Plus prices increase by 2.8 percent. The price category will continue to contain Critical Mail letters and flats, a half pound price, an assortment of Flat Rate packaging, and Commercial Plus Cubic pricing.

Changes to the price structure include the following: (1) adding a larger-sized Regional Rate box tier<sup>2</sup>; (2) the parcel volume threshold in Commercial Price Cubic pricing is

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<sup>2</sup> If deposited at retail a \$0.75 fee will be added.

reduced from 250,000 to 150,000 pieces, and can use soft packaging; and (3) Open and Distribute pricing for specified trays and flat tubs is to be introduced in January.

*Parcel Select.* Parcel Select service increases, on average, by 8.5 percent. For destination entry parcels, the average price increases 7.6 percent for dropshipping at destination delivery units (DDU), 7.8 percent for parcels entered at a destination plant (DSCF), and 6.8 percent for parcels entered at a destination Network Distribution Center (NDC).

For nondestination-entered parcels, the average increases are 1.5 percent for origin NDC presort, 0.9 percent for NDC presort, and 0.8 percent for nonpresort. The barcode discount is eliminated. Lightweight Parcel Select (formerly Standard Mail commercial parcels) increase by 8.9 percent. The maximum dimensions for Regional Ground increase to accommodate any machinable parcel in this price category. In January, the Intelligent Mail Package Barcode (IMpb) feature is added for free visibility.

*Parcel Return.* Parcel Return Service increases, on average, by 4.6 percent. Return NDC prices retrieved at a return NDC will increase by 0 percent, and the price for parcels picked up at a return delivery unit (RDU) will increase by 8.9 percent. The Postal Service's return product offerings will be branded as "Return Service".

*Commercial First-Class Package Service.* Commercial First-Class parcels, recently transferred to the competitive product list, are renamed Commercial First-Class Package Service. Commercial First-Class Package Service prices increase, overall, 3.7 percent, with no structural changes.

*Domestic Extra Services.* Premium Forwarding Service prices increase 3.4 percent. The weekly reshipment fee increases to \$15.25. On average, Address Enhancement Service prices increase 7.3 percent. On January 2012, 6,800 Post Office Box locations join the existing 49 locations on the competitive product list. Additional fee ranges are added for boxes in Fee Groups 2 through 7. A Package Intercept service is introduced within the Competitive Ancillary Services product, priced at \$10.95.

*Global Express Guaranteed and Express Mail International.* Global Express Guaranteed service increases, on average, by 6.0 percent. Express Mail International (EMI) service increases, on average, by 11.6 percent.

For both GXG and EMI, classification changes include changes to published discounts: rate cell-specific discounted schedules for both GXG and EMI replace across-the board discounts for customers using approved postage payment methods. Commercial base discount schedules replace across the board discounts for eligible shipments using selected payment methods. Customers tendering at least \$100,000 in revenue per year for GXG, EMI and Priority Mail International (PMI) can request authorization for new commercial plus discounts.

Two versions of a new Express Mail International Flat Rate Box product are added: for Canada (\$59.95) and for all other countries accepting EMI (\$74.95), both with a maximum weight of 20 pounds.

Classification changes also include A) country group assignments for the nation of Tonga, and B) changes to the dimensional limits for EMI.

*Priority Mail International.* Overall, Priority Mail International (PMI) prices increase by 8.7 percent. Classification changes include the simplification of dimensional criteria for flat rate envelopes and boxes, changes to the dimensional limits for PMI and the introduction of commercial base and commercial plus discounts similar to the changes for GXG and EMI.

*International Priority Airmail.* International Priority Airmail has a price increase of 1.0 percent.

*International Surface Air Lift.* International Surface Air Lift has a price increase of 13.7 percent.

*Airmail M-Bags.* The published prices for Airmail M-Bags increase by 3.5 percent.

*International Ancillary Services.* The overall increase for international ancillary services is 5.0 percent. Money Order prices increase by 4.7 percent.

Details of these changes may be found in the attachment to Governors' Decision No. 11-18.

The Filing also includes three additional attachments: a redacted table that shows FY 2012 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, assuming implementation of new prices on January 22, 2012, a similar table assuming a hypothetical implementation on October 3, 2011 (for comparative purposes only), and an application for non-public treatment of the unredacted version of that table. The table calculates and identifies a contribution from competitive products as a percentage (7.9%) of institutional cost associated with the January 22, 2012 implementation.

*Notice.* The establishment of rates of general applicability for competitive products and the associated MCS changes effect a change in the draft MCS. Pursuant to subpart E of part 3020 of its rules, 39 CFR 3020.90 *et seq.*, the Commission provides notice of the Postal Service's Filing. Interested persons may express views and offer comments on whether the planned changes are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642 and 39 CFR part 3015 and 39 CFR 3020, subpart B. Comments are due no later than December 12, 2011.

Pursuant to 39 U.S.C. 505, Natalie R. Ward is appointed as Public Representative to represent the interests of the general public in the above-captioned docket.

*Supplemental information.* Pursuant to 39 CFR 3015.6, the Postal Service is requested to provide a written response to the questions below. To assist in the completion of the record, answers should be provided as soon as possible, but by no later than December 5, 2011.

1. Please refer to the redacted tables attached to the Filing, which present Competitive Product Contribution & Cost Coverage Analysis" for FY 2012 "January 22, 2011 Implementation" and "October 3, 2011 Implementation."

- a. Provide FY 2012 volumes, revenues, attributable costs, contribution, and cost coverage data similar to that provided in Docket No. CP2011-26 to support all data in both the redacted and unredacted tables.<sup>3</sup>
  - b. Provide a narrative explaining the method used to forecast data in the referenced tables.
  - c. Provide attributable costs, revenues, and volumes data for each product grouped in “Competitive International (including Services)” at the same level of detail provided for all other competitive products in this docket. For each of these international products, explain how the expected revenues and costs comply with 39 U.S.C. 3633(a).
  - d. Please explain how the price adjustments for Parcel Select are consistent with 3633(a) and Docket No. MC2011-22, Order No. 689.<sup>4</sup>
2. Please refer to Governors’ Decision No. 11-8. The Postal Service provides overall price increases for the following products: Express Mail 3.3 percent, Priority Mail 3.1 percent, Parcel Select 8.5 percent, Parcel Return Service 4.6 percent, First-Class Package Services 3.7 percent, Premium Forwarding Service 3.4 percent, Address Enhancement Service 7.3 percent, Global Express Guaranteed 6.0 percent, Express Mail International 11.6 percent, Priority Mail International 8.7 percent, International Priority Airmail 1.0 percent, International Surface Airlift 13.7 percent, Airmail M-Bags 3.5 percent, International Ancillary Services 5.0 percent, and international money orders 4.7 percent. Please describe the weights used to derive the Before Rates and After Rates indices relied upon to calculate the overall (average) percentage price increase for each product and service referenced above similar to the supplemental

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<sup>3</sup> See, e.g., Docket No. CP2011-26, Notice of the United States Postal Service of Filing Supplemental Information Under Seal in Response to Commission Order No. 575, November 12, 2010; Supplemental Information Provided by the United States Postal Service in Response to Commission Order No. 575, Question 2 and Notice of Filing Material Under Seal, November 16, 2010.

<sup>4</sup> Docket No. MC2011-22, Order Conditionally Granting Request to Transfer Commercial Standard Mail Parcels to the Competitive Product List, March 2, 2011 (Order No. 689).

data filed in Docket No. CP2011-26. *Id.* Please show all calculations in Excel, and explain any adjustments made due to classification changes.

3. Please provide the specific prices assigned to the competitive Semi-Annual Fees for each Box Size and Fee Group. (Attachment at 141.)
4. The following refers to Note 3 at 142. Please clarify what is meant regarding the portion of the fee that “may serve as postage on packages delivered to competitive Post Office box service customers after being brought to the Post Office by a private carrier.”

*It is Ordered:*

1. The Commission establishes Docket No. CP2012-2 to provide interested persons an opportunity to express views and offer comments on whether the planned changes are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642 and 39 CFR part 3015 and 39 CFR 3020, subpart B.
2. Comments on the Filing are due no later than December 12, 2011.
3. The Commission appoints Natalie R. Ward as Public Representative to represent the interests of the general public in this proceeding.
4. The Postal Service shall provide a written response to the supplemental information requested in this Order no later than December 5, 2011.
5. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Ruth Ann Abrams  
Acting Secretary